

STRATEGIC PLAN

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EXECUTIVE SUMMARY

hile this is the first official strategic plan published by the Department of Finance (DOF), it represents a continuum of planning efforts which have been ongoing within the Department. Planning and assessment activities are basic components of the DOF management processes. This plan integrates various internal and external analyses and identifies goals and specific objectives which will enable the Department to continue to serve the Governor with the most timely and accurate fiscal and programmatic information.

This plan contains all the required components as specified by the Strategic Planning Guidelines issued by the DOF via Budget Letter 96-16 on September 23, 1996. In addition to the key required components, the plan also contains nonrequired components such as human resources principles, a vision statement, and an internal assessment summary. This plan will be revised annually.

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he Department of Finance's mission is:

- to serve as the Governor's chief fiscal policy advisor,
- to promote responsible resource allocation through the State's annual financial plan, and
- to ensure the financial integrity of the State.

The Governor is required under Article IV, Section 12 of the state Constitution to present a budget by January 10 of each year. This responsibility has been delegated to the Department of Finance (DOF).

The DOF impacts on the fiscal activities of other state departments because of the general authority granted the Department in Government Code Section 13070. This Section provides the DOF with authority over all financial and business policies of the State. There are also numerous other code sections which direct the operations of the Department.

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PRINCIPLES

he Department of Finance has adopted these

Human Resource Principles:

All members of the organization are essential, integral, and valuable to the Department, the Governor, and other state agencies.

The mission of the Department is achieved through the efforts of individual members of the organization, as well as through the efforts of groups of individuals. The Department achieves and encourages excellent job performance at all levels of the organization by creating a supportive, enriching, and educational work environment.

As an organization, the Department embraces these values:

- Integrity
- Initiative and Industry
- Creativity and Innovation
- Respect and appreciation for both the individual and the organization
- Understanding and Trust
- Cooperation

Consistent with these values, the office environment fosters:

- Teamwork, as well as individual initiative
- Innovative approaches to problem solving
- Respect for the individual, as an appreciation for each person's contribution
- Open and direct communication, at all levels, that promotes understanding and trust
- Civility

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VISION STATEMENT

he Department of Finance's Vision

Statement is:

The voice of expertise in fiscal matters of the State.

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DESCRIPTION

OVERVIEW

he Department of Finance (DOF), located in Sacramento, is part of the Executive Branch of state government and part of the Governor's Administration. The DOF is one of the state's "Control Agencies."

The Director of Finance is appointed by the Governor and is the Governor's chief fiscal advisor. The Director sits as a member of the Governor's cabinet and senior staff.

Principal functions are to:

- Establish appropriate fiscal policies to carry out the Administration's programs.
- Analyze legislation which has a fiscal impact.
- Develop and maintain the California State Accounting and Reporting System (CALSTARS).
- Monitor/audit expenditures by state departments to ensure compliance with law, approved standards and policies.
- Develop economic forecasts and revenue estimates.
- Develop population and enrollment estimates and projections.
- Review expenditures on data processing activities of departments.

The fiscal process is a dynamic one as new laws are enacted, new regulations are adopted, priorities change, available resources increase or decrease, and the Administration itself changes.

The Director of Finance (or designee) sits on numerous boards and commissions which directly impact a broad array of state activities. Examples are:

- State Allocation Board which distributes funds for school construction.
- State Mandates Commission which hears/decides local mandate claims against the State.

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- State Teachers' Retirement System which invests the System's funds.
- Public Works Board which approves capital outlay projects.
- Pooled Money Investment Board which invests state funds.

The DOF interacts with the Legislature through various reporting requirements, by presenting and defending the Governor's Budget and in analyzing and testifying on legislation being heard in the Legislature.

The Department interacts with other state departments on a daily basis in terms of preparing, enacting, and administering the budget; reviewing fiscal proposals; analyzing legislation; establishing accounting systems; auditing department expenditures; and communicating the Governor's fiscal policy.

THE BUDGET UNITS

Budget staff endeavor to ensure the financial integrity of the State through the planned allocation of state resources. The budget units have responsibility for the preparation, enactment, and administration of the Governor's Budget. Each budget analyst must be aware of the policies of the Administration, legislative intent and be thoroughly familiar with the goals, programs, and funding issues with respect to the assignment. During the enactment phase of the Budget, budget analysts appear before legislative committees to testify on behalf of the Governor's proposed budget. After enactment of the budget, staff assist in the administration of the budget. Throughout the process, budget staff work with the top management level of state government and with legislative staff regarding fiscal and programmatic policies of the Administration.

Budget staff provide analyses of bills introduced in the Legislature and make recommendations to the Governor's Office. These analyses inform both the Governor and the Legislature of the fiscal and programmatic implications of the bills, including additional mandated costs to local governments.

Representatives of the DOF appear before the fiscal and revenue committees of the Legislature to provide testimony regarding the Administration's position on bills which are being considered.

CALSTARS

The California State Accounting and Reporting System (CALSTARS) has been developed to accurately and systematically account for all revenues, expenditures, receipts, and disbursements of state agencies. This program incorporates the efforts of the State toward development of a modern and complete account-

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ing system for each state agency. Such efforts improve the timeliness and accuracy of financial information, standardize the accounting and reporting functions within state agencies, and expand their accounting and reporting capabilities.

AUDITS AND PROGRAM EVALUATIONS

The Office of State Audits and Evaluations (OSAE) assists the Director of Finance in fulfilling the statutory responsibilities for supervision over all matters concerning the financial and business policies of the State and the coordination of internal auditors. The OSAE Unit's principal functions are to:

- Evaluate financial, budgetary, and operational information; systems of administrative control; and EDP systems and controls.
- Develop audit policies and programs.
- Approve audit programs used by internal audit units.
- Provide direction and coordination to executive branch organizations performing internal auditing activities.
- Provide audit advice and accounting support as needed by the Director of Finance or other agency officials.
- Coordinate state agency activities relating to the "Single Audit" in California.

The Unit's primary functions are audits of internal controls of state agencies and state universities; audits of federal funds reporting compliance; financial audits of Inmate Welfare Funds and insurance companies in conservation and liquidation; coordination of Executive Branch internal auditing; and providing audit and audit advisory services as needed or requested by the Director of Finance or other state agency officials.

FINANCIAL AND ECONOMIC RESEARCH

DOF staff provide revenue estimates to assist the Executive Branch in preparing the state financial plan, analyses of financial legislation, and evaluation of financial development of importance to state government. Research analysts prepare economic forecasts on a comprehensive basis. California data are developed and maintained; forecasting models are built and maintained; analyses are prepared on various economic developments; and consultations are provided to assist state departments and local government agencies.

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DEMOGRAPHIC RESEARCH

The State of California's Demographic Research Unit has earned a national reputation for its program. Created by legislation in 1951, the Unit is the single official source of demographic and enrollment data for state planning and budgeting. Additionally, it provides demographic research and analysis; produces current population estimates and future projections of population and school enrollment; and disseminates census data.

These estimates and projections are used by the Federal Government, county and local government, academic institutions and school districts, and private organizations. The State Census Data Center coordinates special censuses and provides consultation and data from censuses and surveys.

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INTERNAL Assessment Summary

he Department of Finance performs periodic analyses to assess parts of its Situation Inventory. The Situation Inventory is an assessment of the Department's position, performance, problems, and potential; in other words, its strengths and weaknesses.

1996 ANNUAL OFFSITE

At the 1996 annual Program Budget Manager (PBM) offsite, the PBMs discussed a range of over 50 items which might be able to improve the Department's internal operations and policies as well as the Department's interactions with other state departments. The PBMs then identified a list of the top 14 unit critique items for the Assistant PBMs to address/implement; some of the other items were technical in nature or were minor and possibly one-time occurrences. Examples of the top 14 items were:

- What impact has turnover had on program knowledge? What can we do about it?
- Departments should link Budget Change Proposals to strategic plans, also five-year capital outlay plans.
- Require updates of special funds, not just General Fund updates.
- Improve fund/10R/program coordination between units.
- Get cash flow questionnaire out earlier, etc.

STRATEGIC MANAGEMENT WORKSHOP

The PBMs of the Department participated in a strategic management workshop with the objective of identifying strategic issues, both internal and external, facing the Department and effective responses to those issues identified as critical. Because of time constraints and the complexity of the issues, the workshop focused primarily on the budget functions of the Department. As a result of this workshop, a number of working groups were created to address specific internal operational issues identified by the workshop.

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Important recent major changes.

To explore the environment the Department is likely to face during the rest of the 1990s, workshop participants identified major changes that are likely to impact the Department. The following were considered the most important:

- The Department faces increasing competition for quality personnel.
- Technological advances result in Department staff reviewing a greater level of detail.
- The quality and number of budget staff in departments continues to shift.

Strengths.

Workshop participants listed what they perceive to be the essential strengths of the Department:

- The Governor's Office relies on the Department, particularly in the area of bill analysis.
- Department staff are of high quality.
- The Department is making better use of information technology and has access to better information than it did a few years ago.
- The Department historically has a positive reputation.
- The Department plays a strong "Central Budget Office" role in the State.
- The Department provides a high level of responsiveness ("We deliver").
- The Department has a strong communication linkage with other state departments (networking).

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EXTERNAL ASSESSMENT SUMMARY

he Department of Finance (DOF) periodically assesses various parts of the key external elements or forces, including the stakeholder analysis, that affect the environment in which the Department functions; in other words, the opportunities and threats to the agency.

FALL 1996 SURVEY

In the fall of 1996, the Department surveyed departmental budget officers with a 19-page questionnaire in an ongoing evaluation of the Department's processes and functions to identify changes which would improve the efficiency and effectiveness of budget development and administration. The purpose of the questionnaire was to both identify areas of the Department's working relationships with State departments which enhance budget production and administration, as well as to assist the DOF in identifying opportunities to improve the quality of budget products.

The questionnaire specifically asked about (1) procedures and training regarding work products such as Budget Change Proposals, Fiscal and Policy Analysis of Legislation, Planning Estimate Preparation, Salaries and Wages Supplement (Schedule 7A), Budget Galley, Supplementary Schedules, Schedule 10s, Budget Revisions, Control Sections, Program Changes Requests, Deficiency Requests, Revenue Estimates, and Other; (2) DOF instructions; and (3) working relationships, including open-ended questions about work products.

The Department is assessing the results of the comments to this questionnaire. Four subgroups within the Department have been organized to analyze the responses. As ongoing budget work allows, the subgroups are currently completing their reports, each focusing on specific areas of suggested improvement items of special significance.

STRATEGIC MANAGEMENT WORKSHOP

External issues were identified through a strategic management workshop conducted for the PBMs of the Department.

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STAKEHOLDER ANALYSIS

The workshop participants began an analysis of stakeholders. A stakeholder is defined as "any person, group, or organization that can place a claim on the organization's attention, resources, or output, or is affected by that output." Analysis of the Department's key stakeholders creates a foundation for exploring the Department's responsibilities and strategic issues. The following is a list of stakeholders identified by the workshop participants:

- The Governor's Office
- DOF Executive Office
- Agency secretaries
- Legislature (members/staff)
- DOF employees
- Families of DOF employees
- State departments
- Taxpayers
- Courts (State/Federal)
- Local government, including schools
- The press
- Labor unions

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GOALS

he Department of Finance's Goals are

continuous improvement of:

- The structures, systems, processes, programs, and performance of the State;
- Our expertise; and
- Our capability to initiate and manage change.

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OBJECTIVES & PERFORMANCE MEASURES

GOAL A

Continuous improvement of the structures, systems, processes, programs, and performance of the State.

The following DOF objectives relate to improving the quality and timeliness of work products, information, requests, and responses to and from departments, as well as increasing efficiency of fiscal process through automation.

OBJECTIVE A1

By April 1, 1998, develop surveys with criteria by which the quality and value of our most important products and interdepartmental communications can be judged.

PERFORMANCE MEASURE

Number of surveys developed.

OBJECTIVE A2

Increase by 10 percent the quantity and quality of training of other state department staff by June 30,1999, in the following areas:

- Budget processes, including budget revisions, deficiencies, Schedule 8/7A, Schedule 10, budget change proposals, etc.
- State Fund Accounting and other state accounting policies and practices.
- Training and instructional materials on the Internet.

PERFORMANCE MEASURES

Number of hours of training per year.

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Average rating (0 to 10) by trainees on the quality of training courses.

Number of training and instructional documents on the Internet.

OBJECTIVE A3

Beginning with 1998, increase by five percent annually the timeliness and completeness of instructions on procedures for budgets, audits, and accounting.

PERFORMANCE MEASURE

Average rating (0 to 10) of satisfaction - annual survey of relevant stakeholders.

OBJECTIVE A4

Improve by five percent annually, the time to review, complete action, or provide feedback on documents and requests, as well as for technical assistance or problem-solving when necessary.

PERFORMANCE MEASURES

Average rating (0 to 10) of satisfaction - annual survey of relevant stakeholders.

Average time to respond on documents and requests.

OBJECTIVE A5

Utilizing the Internet, annually automate the transmission and/or processing of three types of finance documents such as budget revisions and audit reports by June 30, 1999.

PERFORMANCE MEASURE

Number of types of documents available for automated processing by June 30, 1999.

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OBJECTIVE A6

By June 30, 1999, develop:

- (A) A detailed project development plan for the development of an automated budget process, including both budget preparation and comparison of fiscal data with the State Controller; and
- (B) An integrated budget system which would combine existing separate systems into one. Begin implementation by June 30, 2000.

PERFORMANCE MEASURES

Detailed project plans completed by June 30, 1999.

Implementation started by June 30, 2000.

OBJECTIVE A7

By January 1, 1999, complete the automation project for the internal capital outlay budgeting and administration process, including project tracking, history, status, and cost.

PERFORMANCE MEASURES

Completion of the project plan by July 1, 1998.

Implementation of the project by January 1, 1999.

OBJECTIVE A8

By January 1, 1999, complete the development of CALSTARS accounts receivable, claim schedules, and vendor invoices automated subsystems.

PERFORMANCE MEASURE

Implementation of the automated subsystems by June 30, 1999.

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GOAL B

Continuous improvement of our expertise.

The focus of these objectives is to increase the expertise of DOF staff through training and expanded knowledge of programs, and also to retain the staff who have the expertise.

OBJECTIVE B1

By June 30, 2000, increase by 10 percent the training hours completed by staff. Increase the variety and quality of training available to staff.

PERFORMANCE MEASURES

Average number of staff hours of training per year.

Number of new training courses per year.

Average rating (0 to 10) on the quality of training courses as determined from survey results.

OBJECTIVE B2

By June 30, 1999, increase knowledge and expertise of budget staff in assigned program areas through increased number of field trips and increased tenure in assignments.

PERFORMANCE MEASURES

Number of field trips.

Average length of time in assignments.

Survey of budget staff - Average rating of program knowledge.

OBJECTIVE B3

By June 30, 2000, reduce annual staff turnover rate by 10 percent.

PERFORMANCE MEASURE

Rate of staff turnover.



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OBJECTIVE B4

Develop comprehensive performance standards for the five largest classes in the Department. Develop performance standards for at least one class by June 30, 1998, and the remaining classes by June 30, 1999.

PERFORMANCE MEASURE

Number of standards developed and utilized.

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GOAL C

Continuous improvement of our capability to initiate and manage change.

The following objectives relate to activities which will improve the Department's ability to identify and initiate new programs needed, or changes to existing programs, as well as to be responsive to external changes.

OBJECTIVE C1

By June 30, 1999, evaluate the Department's operational practices to identify personnel management, business processing, and other changes necessary to meet the challenges of the 21st century.

PERFORMANCE MEASURE

Number of practices improved.

OBJECTIVE C2

By June 30, 2000, initiate change by enhancing the Department's role with respect to public policy, both fiscal and programmatic.

PERFORMANCE MEASURE

Number of changes and improvements initiated by the Department.

OBJECTIVE C3

Commencing in July 1998, develop or modify information systems with design flexibility in order to facilitate unforeseen changes or needs.

PERFORMANCE MEASURE

The reduction rate (percentage) in time and resources required to modify and maintain systems.

OBJECTIVE C4

By June 30, 1998, formalize a continuing strategic planning process.

PERFORMANCE MEASURES

Strategic plan updated annually. Percent of objectives met.

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RESOURCE ASSUMPTIONS

his plan will be implemented through existing Department of Finance resources.

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FINANCIAL INFORMATION

FINANCIAL & FULL-TIME EQUIVALENT (FTE) POSITION INFORMATION

This component presents a summary of total Department resources.

REQUEST*	FY 1995-96 ACTUAL EXPENDITURES*	FY 1996-97 Estimate*	FY 1997-98 PROPOSED*
VERDERI	EXPENDITURES	Lanmaie	FROFUSED
General Fund	\$ 21,612	\$ 21,843	\$ 22,028
Other Appropriated Funds			
Reimbursements	6,850	6,879	6,993
Other Non-appropriated Funds			
Federal Funds			
Petroleum Violation Escrow Accou	nt 70	30	
Total Funds	\$ 28,532	\$ 28,752	\$ 29,021
FTE Position Total	337.4	325.7	325.7

^{*} Dollars in thousands